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ABSTRACT

A study of a small employee-owned furniture company indicated that the three occupational groups agreed that management should have more influence in decisions affecting the future of the organization. On the other hand, issues which would directly affect employee welfare are seen as areas where control should be fairly evenly divided, with perhaps more power accorded the union. While no clear preference for power equalization between labor and management was evident among any of the three interest groups, there was a preference for the ways in which power should be distributed, with a firm belief in the division of labor with workers working and management managing. If joint labor-management decision making is desirable, both worker owners and management owners still have a long way to go in their efforts. (BN)

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Decision making policies and worker influence in employee owned firms

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Participation in the decision making processes of an organization is usually granted to employees by an employer on a voluntary basis or through the intervention of government actions, such as the requirement on employers to bargain collectively or to share decision making power with employees through laws of co-determination, works councils and the like (Dachler & Wilpert, 1978; Industrial Relations, 1970; Locke & Schweiger, in press). Arguments supporting various forms of power sharing and employee participation cover a rather wide spectrum with political and ideological as well as pragmatic and economic foundations. We will leave aside for the time being the debate over the benefits and costs of participative decision making because our main interest in the present paper are the questions of how employees, who have a legitimate right to take part in their firm's decision making process because they are part owners of the company, want the decision making functions of their company executed, and how they want to see power distributed within the organization.

Employee Owners' Preferences for Distribution of Power

When employees come to ownership through the purchase of stocks, they can gain formal decision making power through two means: as stockowners with votes according to the amount of stock they own and as possible members on a board of directors. Each employee's power is consequently a direct function of the size of the organizational slice he/she owns and the opportunity to exercise this power is limited to stockholder and board meetings where a plurality rules. The legal right to participative decision making through stock ownership therefore in no way guarantees that employee owners will have much actual influence on the outcomes of a joint decision process. Worker participation in decision making in employee owned firms can of course come about outside a legalistic framework (cnf., power sharing

schemes in traditional organizations among non-owning, non-managerial workers). But two conditions must be met if ownership is to be translated into control. Employees must first of all be motivated to and interested in taking an active part in the decision making processes, and the firm's management must be willing to share the control over the decisions to be made with other members of the work force.

Pateman's (1970) research on the obstacles to the successful introduction of self-management in industry show that all members of the general labor force do not embrace the possibility of industrial democracy with open arms, a point made earlier by Strauss (1963). When workers do not own the production process and its revenues, their stake in the welfare of the organization is relatively small (as long as the organization is capable of survival to ensure continued employment, of course). But if workers themselves come to ownership their interest in protecting their own property and investment may be large enough to overcome a reluctance to take on decision making responsibilities. In addition to an economic self interest stemming from being one's own employer there may also be a desire to have some control over what one rightfully owns, which is not only the capital, equipment and material used in the production process, but also one's own labor (cnf., Blauner, 1964).

When non-managerial workers come to ownership we could therefore expect that they would want influence over factors which directly affect the economic status and future welfare of the organization, factors which traditionally belong to the domain of concern to owners (and their representatives, the management): investments, product development and marketing, distribution of company profits and the selection of corporate officers and chief executives (see Dachler & Wilpert, 1978). As far as the workers are

concerned, then, joint labor-management ownership should bring with it a desire for a more even distribution power in the organization, or power-equalization.

While the purchase of a firm may give the employee owners a long term perspective on the future prosperity of the firm which affects their interest in increased control over issues directly related to this prosperity, it does not change the nature of the jobs in the firm or the short term returns from the job. The purpose of buying the company in the first place was to save the jobs and their immediate benefits, not to make changes in these conditions. We would therefore not expect much initial interest in increased control over issues not directly related to long term effectiveness. We would, however, expect that non-managerial employee owners would want to maintain the amount of control they presently have over the distribution of wages, fringe benefits and pension plans through the process of collective bargaining where the work force is unionized, since these issues are traditional areas of joint worker-management decision making. Given that issues like work methods and work organization are normally under the control of management (Chamberlain & Cullen, 1971), and no specific provisions have been made before a purchase to change the traditional autocratic distribution of power which existed under a previous owner, we would expect that the new employee owners would be willing to delegate control over the work process to those who made these decisions earlier, viz., the management.

In sum, we expect that non-managerial owners would prefer a decision making policy which gives them more influence over issues which affect the future of their organization vis a vis management and which maintains the power they have had previously over issues traditionally included in

their domain through the process of collective bargaining, but that they will be content to defer decisions on the day-to-day work process to management (Hypothesis 1).

Interest Groups and the Distribution of Power

Any joint labor-management decision making scheme in employee owned firms will involve at least three interest groups depending on the firm's occupational stratification. In the simplest instance, blue-collar, white-collar and managerial level employees constitute the occupational hierarchy where each group has a different response to their organization and their work environment (see Warner & Low, 1947), as well as a different definition of the appropriate distribution of power and control within an organization (Tannenbaum, Rosner, Vianello & Wieser, 1974). We therefore expect that employees in employee owned firms will prefer a pattern of power sharing which corresponds to their interest group membership. When an organization is unionized, the local union and the process of collective bargaining are established by a strong tradition as the base of power and the form of power distribution, respectively, by the unionized segment of the work force. The reliance on the union and the collective bargaining process is particularly strong among blue-collar workers who lack the necessary expertise to successfully take a direct part in making decisions which extend beyond the boundaries of their own jobs (cfr., Mulder & Wilke, 1970). White-collar workers, on the other hand, are not as dependent on an outside power base since they are in general better educated, and have access to more information about the company and its functioning which can be used in the decision making process. White-collar workers, even when unionized do not need to defer to the union since they believe they are capable enough to participate directly with management in the running of the firm (Wheeler, 1975).

If the management in an employee owned company is willing to share power with the worker owners we would expect a preference for a power sharing scheme which involves the employees as a group outside collective bargaining, rather than the union, because of the traditional adversary relationship which exists between union and management (Chamberlain & Cullen, 1971). In American experiments with joint labor-management collaboration efforts (as opposed to the European models) management has preferred to deal with employee groups and their representatives outside of the union (see examples in Davis & Cherns, 1975; Katzell & Yankelovich, 1976).

We therefore expect that members of the non-managerial unionized blue-collar work force in employee owned firms will prefer a distribution of power where the union through collective bargaining share power with management over an employee group, while white collar workers will prefer that the employees as a group participate with management in joint-decision making. The management will want more control in the firm's decision making process given to the employees as a group than to the union through collective bargaining (Hypothesis 2).

PROCEDURE

The subjects in the present study were 148 employees of a small firm in upstate New York engaged in the production of high quality wooden library furniture. Of the employees included in this research, 98 were blue-collar production workers of whom about 1/3 were highly skilled labor, 37 were non-supervisory white-collar workers and 13 were top management employees. Both the production and office workers were unionized, each group represented by a different local of the Electrical Workers (IUE).

In March 1976, the parent corporation announced its intention to close the plant, one of the area's main employers, by March 1977, thus

leaving over 200 people out of work in an area with an unemployment rate of 13.7%. In September 1976, the employees had managed to buy the plant themselves with the help of 4 million dollars in federal government and private bank loans and 1.5 million dollars through sales of common stock to employee and area residents. There are in all about 3500 stockowners, most of whom live within the small plant community, mostly with small holdings. No single large investor or group of investors own stock in the company. The plant's employees own about 34% of all stock. Within the company, non-managerial workers own about 65% of the stock while 35% are held by the top and middle level management (15 middle level managers have excluded from the present study because they do not constitute an occupational interest group in terms of the distribution of decision making powers in this case).

The study was conducted eight months after the plant had been bought out, at a time when the euphoria of having saved the plant and the jobs was still strong, and attention had not yet focused on the issues of an internal distribution of power and the possible forms which a joint decision making venture might take. The data used to test the hypotheses discussed here were collected by questionnaires completed on the plant's premises on company time under supervision of researchers and assistants from Cornell University.

Control, or influence in the firm's decision making process, actual as well as desired, was assessed for eight types of issues: wages, hours and benefits, the pension plan, the production process (how the work should be done), hiring of management, choosing corporate officers, investment in new equipment, planning for the company's future (new products, new markets), and the distribution of company earnings. The first three issues are areas of immediate concern to the employees as workers, while the last five issues

concern them as owners. For each one of these issues, the subjects indicated how much influence or say each of six groups had, using a 6-point, verbally anchored scale ranging from 1 ("Virtually no say at all") to 6 ("A great deal of say"). The six groups whose influence was rated were: you as a person, employees as a group (not through the union), union through collective bargaining, management, stockholders (inside and outside the plant) and the chairman of the board of directors. The subjects were further asked to rate how much influence or "say" each one of the six groups should have over each of the eight issues, using the same 6-point scale. For purposes of the present study, the ratings of interest concern actual and desired influence of three of these groups: employees as a group, union through collective bargaining, and management. Information was also collected on demographic characteristics.

RESULTS AND DISCUSSION

The data representing the actual and preferred distribution of influence in decision making used to test the two hypotheses under study are shown in Tables 1 and 2. Table 1 presents the amounts of influence which the three interest groups (blue-collar, white-collar and managerial employees) believe that employees as a group, the union through collective bargaining, and management should have over each issue. Since we are here interested in the extent to which power-equalization is wanted between labor and management, t-tests for correlated means have been computed between the amount of control which should be accorded employees and the union vis a vis management. Due to the probability of Type 1 errors in sets of multiple comparisons, significant differences are only indicated if they are at or below the .001 level of confidence.

There were 24 employees who did not own stock in the company (16 among the production workers, 8 among the office workers). An examination of possible differences among stockholders and non-stockholders concerning a desired distribution of power showed that there was complete agreement between the two groups on this issue. The non-stockholders have therefore been included in the blue- and white-collar samples in these analyses.

Insert Table 1 about here

The data in Table 1 show considerable agreement among the three occupational groups on a preferred distribution of control. Management should have more influence in decisions which affect the future of the organization (from the hiring of managers to the distribution of company earnings) than should either the employees as a group outside the collective bargaining process or the union in collective bargaining. There does not seem to be much of a preference for an equalization of power over issues traditionally "belonging" to owners or managers. On the other hand, issues which directly and immediately affect the welfare of the employee as a worker, and which can be covered by collective bargaining agreements (wages, hours, benefits, pensions), are seen as areas where control should be evenly divided (among white-collar workers), and even more power accorded the union (by blue-collar workers).

While workers in employee owned plants may want a power distribution which favors management this does not mean that they are uninterested in increasing their share of the "power pie" (Tannenbaum, 1968). It is perfectly possible to want more power than one actually has, or has had under traditional ownership, without going as far as power equalization. In Table 2,

comparisons are examined between the influence which the three interest groups perceive the employees, the union and the management as actually having, and the influence which these groups should be given, using t-tests for correlated means.

Insert Table 2 about here

Both blue-collar and white-collar workers feel that they have less control over decision making processes than they would like to have, both as an employee-group and as an organized workforce represented by the union. But there is no indication that more power is wanted over "ownership" issues than over work and benefit related concerns. As a matter of fact, the data show a reverse trend. There are no differences between the power which management is seen by the workers as having and what they feel the management ought to have, however.

When we combine the information from Tables 1 and 2, we see that the non-managerial employees are not interested in a dimunition of managerial power. They prefer that most of the influence in decision making be wielded by those who usually make decisions. However, they would like their own power augmented, thus increasing the amount of active control exercized in the organization. Top management sees no reason to enlarge the power pie, however. By and large (with a few exceptions), the management considers the present power distribution to be the desired state with some control given to employees or the union over issues of direct concern to them, but with relatively little influence over organization level matters. With respect to our first hypothesis, there is thus no support for a suggested preference for an equalization of power over issues which concern

the future welfare of the firm and which fall under the domain of decisions made by company owners. However, a more even distribution of power is wanted over areas of immediate concern to the employees as workers, and it is clear that both blue-collar and white-collar workers want more control over what happens in the company than what they enjoyed shortly after the take-over of the plant.

The question which comes to mind when examining these patterns of results is of course: Why would people in an employee owned firm be content with just a small amount of influence over very important decisions while leaving these mostly in the hands of management? There are three obvious and interrelated reasons which were suggested both in interviews conducted before and after the survey as well as in written comments, behind the present findings. As Pateman (1970) has noted, there is a reluctance to participate in organizational decision making when one has no prior practice of behaving democratically. There is an inertia factor which has to be overcome to make people take an active part in social, political and organizational life, and one cannot expect that employees will overcome this inertia acquired through years of inactivity to suddenly leap forward into industrial democracy. In the present case, "if the company is making money, the jobs are secure and labor relations are on an even keel, why bother?" Highly correlated with inertia is a pervasive belief on the part of the workers in a division of labor. Workers work and managers manage. "It is management's job to make decisions and there is no sense cluttering up the works with everybody getting their two cents in."

The recognition of a division of labor for maximum efficiency also carries with it the realization that there are individual differences in the ability to assimilate and understand the myriad of pieces of information

extending far beyond the shop floor to make sensible decisions on the organizational level. Even highly skilled labor recognizes the gap between its own sphere of competence and that necessary to make a meaningful contribution to decisions concerning the future of the organization, and an acknowledged lack of expert power contributes to the willingness to let management sit with most of the influence. The latter argument receives some support from the finding that the non-managerial employees are not willing to delegate control to the management over issues about which they have practice making decisions, have knowledge about and have had, through the process of collective bargaining, the right to participate in, viz., wages, hours and benefits, the pension plan, and to some extent, the actual production process. Over these issues power equalization is definately wanted.

With respect to the inertia factor and a belief in the traditional division of labor it was felt that this should be more prevalent among the older, more conservative workers and less so among younger, more educated employees. When we examined the correlations between age, education and the preferences for different schemes of power distribution there is a consistent pattern of negative correlations between age and the willingness to grant control to the employees as a group for both white-collar and blue-collar workers. The only effect of education was found among the office workers where the higher the educational level attained, the more employees were in favor of employee participation in decision making.

While there was no clear preference for power equalization between labor and management among either of the three interest groups, there is a preference for the ways in which power should be distributed. As predicted, among the blue-collar workers the preference for granting influence in decision making to the union over an employee group was significantly different

from zero on all issues except for decisions involving investment in new equipment (at the .001 and .01 level of confidence, using t-tests for correlated means). The white-collar workers did not exhibit a preference in power distribution, and assigned as much influence in decision making to the union as to an employee group. The management on the other hand clearly preferred to grant power to employees outside of collective bargaining, and the differences between the mean ratings of desired influence for employees versus union were significant at the .01 level, thus supporting our second hypothesis.

It was argued initially that if employee ownership is to entail employee influence in decision making both non-managerial and managerial workers must want some form of power sharing. We have seen that the non-managerial workers do not want power equalization or a dimunition in the management's present position in the decision making hierarchy. Top management share fully the workers' view that most of the influence in decision making should be wielded by themselves. They also believe that the non-managerial workers should not have their power increased. The status quo is a desirable one and should be kept. The preference which blue- and white-collar workers express for more influence vis a vis a management that does not give any indication that the power pie ought to be increased is not a phenomenon unique to employee-owned firms, however. This gap between actual and desired control has been reported in considerable detail by, for example, Tannenbaum and his colleagues (Tannenbaum, 1968; 1974), and Dahrendorf (1959) has offered convincing argument for such a polarization of opinions about the appropriate power distribution in organizations between managers and workers which is based on the inherent nature of conflict between people in different positions of authority. In other words,

the present data point out how very similar the reactions of employee and management owners are on issues of control and influence to members in organizations where ownership is out of the hands of both labor and management.

The polarization of interest groups is also apparent when we consider the definate preference of blue-collar workers for employee influence being executed through the legal area of unionized labor, collective bargaining, and management's preference for dealing directly with the employees or their representative outside the union. As far as the workers are concerned, the union has been instrumental in bridging the power gap between labor and management, and it is natural that a known,accepted institution with a "track record" as a representative of the workers' interests should have the power to influence decision making in the firm rather than a more amorphous body of employees which has never existed before. And if a management is reluctant to share its power, the last thing it would want is to engage in more joint decision making with an already established power block than what it has to do during normal collective bargaining and dispute settlement. If one wants to preserve one's domain of authority to make decisions one is obviously far better off inviting a source with no known power base into a collaborative effort than teaming up with a well-known warrior with which one has shared the battle field of industrial conflict earlier. It should also be kept in mind that bringing decisions which often require swift action, business accumen and far-sightedness in under the process of collective bargaining could be a very impractical way of running an organization. To a management concerned with organizational survival, any decision making scheme which does not have to go through the union will probably seem like a more efficient one.

To unionized workers, any decision making scheme which does not go through the union will probably be seen as weakening the union's position of power.

CONCLUSION

The results of this study do not seem to differ significantly from the findings in other recently emerged employee owned firms (Gurdon, 1978; Long, 1977). There is little evidence so far that the organization jointly owned by labor, management and the community is the cradle of industrial democracy. If we consider joint labor-management decision making a desirable state towards which organizations should strive, it appears that both worker owners and management owners have a ways to go, each in their own manner. These initial findings do not mean that the employee owners will continue to behave in a traditional, hierarchical fashion with respect to participation in their firm's decision making processes. If more concessions are not forthcoming from a management, for example, to give the work force the amount of influence they believe they should have - which is not an overwhelming amount to begin with - and which the workers as owners have a legitimate right to, the non-managerial employees could develop a "consciousness of ownership" in response to thwarted expectations, and decide that while it was true that workers worked and managers managed, theirs is not a traditional management - labor relationship, and therefore the workers both work and manage.

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TABLE 1

Ratings of Desired Power Distribution in the Decision Making Processes

Area of Decision Making	Who should have power? Employees as a Group		Union through Collective Bargaining		Management	
Blue-Collar workers (N=93):	$\bar{x}$	SD	$\bar{x}$	SD	$\bar{x}$	SD
Wages, hours, benefits	3.40	(1.80)	5.35	(1.10)	4.25	(1.42)[a,b]
ESOP pension plan	3.35	(1.78)	4.88	(1.48)	4.23	(1.61)[a,b]
Production process	3.19	(1.68)	4.28	(1.51)	4.78	(1.40)[a]
Hiring of management	2.60	(1.73)	3.18	(1.89)	4.48	(1.61)[a,b]
Choosing corporate officers	3.13	(1.85)	3.66	(1.87)	4.21	(1.57)[a]
Investment in new equipment	2.69	(1.68)	3.01	(1.81)	4.46	(1.57)[a,b]
Planning for the future	2.71	(1.62)	3.36	(1.82)	5.08	(1.24)[a,b]
Distribution of earnings	2.98	(1.87)	3.76	(1.86)	4.34	(1.60)[a]
White-collar workers (N=37):						
Wages, hours, benefits	4.11	(1.22)	4.47	(1.30)	4.49	(1.93)
ESOP pension plan	4.11	(1.47)	4.46	(1.33)	4.51	(1.30)[a,b]
Production process	3.70	(1.54)	3.81	(1.27)	4.70	(1.24)[a,b]
Hiring of management	3.03	(1.53)	3.18	(1.80)	4.74	(1.24)[a,b]
Choosing corporate officers	3.73	(1.56)	3.51	(1.69)	4.32	(1.47)[a,b]
Investment in new equipment	3.43	(1.79)	3.19	(1.67)	5.00	(1.23)[a,b]
Planning for the future	3.63	(1.66)	3.39	(1.57)	4.83	(1.21)[a,b]
Distribution of earnings	3.65	(1.59)	3.49	(1.68)	4.41	(1.40)
Management (N=13):						
Wages, hours, benefits	3.91	(1.22)	2.45	(1.37)	5.18	(.87)
ESOP pension plan	4.36	(1.63)	2.55	(1.51)	4.45	(1.37)[a,b]
Production process	3.73	(1.19)	2.36	(1.36)	4.91	(.83)[a,b]
Hiring of management	2.20	(1.23)	1.40	(.70)	5.60	(.52)[a,b]
Choosing corporate officers	3.36	(1.43)	1.64	(1.43)	4.73	(.91)[a,b]
Investment in new equipment	2.82	(1.72)	1.82	(1.08)	5.55	(.52)[a,b]
Planning for the future	3.00	(1.48)	1.82	(1.08)	5.82	(.41)[a,b]
Distribution of earnings	3.36	(1.63)	1.82	(1.23)	5.27	(.91)

[a]Significant differences between management and employees as a group ($p < .001$)

[b]Significant differences between management and the union through collective bargaining ($p < .001$)

TABLE 2

Ratings of Actual and Desired Power Distribution in Decision Making Processes

Who Should Have Power/ Areas of Decision Making	Blue-Collar (N=98) Actual Power	Blue-Collar (N=98) Desired Power	White-Collar (N=39) Actual Power	White-Collar (N=39) Desired Power	Management (N=13) Actual Power	Management (N=13) Desired Power
Employees as a group						
Wages, hours, benefits	2.07	3.40*	2.24	4.11*	2.27	3.91
ESOP pension plan	1.93	3.35*	2.05	4.11*	2.18	4.36
Production process	2.24	3.19	2.51	3.70*	3.00	3.73
Hiring of Management	1.23	2.60*	1.49	3.03*	1.30	2.20
Choosing corporate officers	1.55	3.13*	1.55	3.73*	1.36	3.36*
Investment in new equipment	1.48	2.69*	1.42	3.43*	1.36	2.82
Planning for the future	1.44	2.71*	1.83	3.63*	1.82	3.00
Distribution of earnings	1.50	2.98*	1.44	3.65*	1.27	3.36*
Union Through Collective Bargaining						
Wages, hours, benefits	4.86	5.35*	4.51	4.47	4.45	2.45*
ESOP pension plan	3.62	4.88*	3.28	4.46	3.18	2.55
Production process	2.83	4.28*	3.58	3.81	3.18	2.36
Hiring of management	1.40	3.18*	1.30	3.18*	1.30	1.40
Choosing corporate officers	1.72	3.66*	1.88	3.51*	1.27	1.64
Investment in new equipment	1.63	3.01*	1.80	3.19*	1.36	1.82
Planning for the future	1.85	3.36*	1.85	3.39*	1.00	1.82*
Distribution of earnings	2.11	3.73*	1.87	3.49*	1.55	1.82
Management						
Wages, hours, benefits	4.17	4.25	4.92	4.49	5.00	5.18
ESOP pension plan	4.44	4.23	5.18	4.51	4.73	4.45
Production process	4.79	4.78	5.05	4.70	5.27	4.91
Hiring of management	4.42	4.48	5.18	4.74	5.60	5.60
Choosing corporate officers	4.21	4.21	5.12	4.32	5.09	4.73
Investment in new equipment	4.58	4.46	5.18	5.00	5.55	5.55
Planning for the future	4.85	5.08	5.35	4.83	5.64	5.82
Distribution of earnings	4.13	4.34	5.04	4.41	4.91	5.27

*$p < .001$